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2012 DEC -7 PM 2: 41

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Establishing a Uniform Definition :
And Metrics for Unaccounted-for-Gas : L-2012-2294746
:

**REPLY COMMENTS OF THE
PENNSYLVANIA INDEPENDENT OIL & GAS ASSOCIATION**

The Pennsylvania Independent Oil and Gas Association (PIOGA)¹ submits these comments in reply to issues raised by the initial comments to the Commission's proposed rulemaking to establish a uniform definition of unaccounted-for-gas (UFG) and a standard set of metrics for UFG to serve as a bright line for the recovery and non-recovery of UFG costs, as well as annual reporting. While the Commission's proposal and the parties' comments focus primarily on distribution system issues, the proposal requires separate calculation of UFG for public utility gathering, transmission, distribution and storage, so it's reasonable to conclude that PUC determinations made in connection with distribution system UFG issues may be viewed as influencing or controlling the resolution of similar issues with respect to gathering system UFG, which is currently paid for by both producers and utility retail and transportation customers. Accordingly, PIOGA provides the following reply comments.

I. Uniform definition of UFG.

PIOGA agrees with the comments, for the reasons stated therein, that suggest the American Gas Association (AGA) definition. PIOGA disagrees with the Office of Small Business Advocate (OSBA) position that a negative UFG rate does not necessarily imply an error in data or calculations. PIOGA agrees with the Commission and PECO's comments, for

¹ Effective April 1, 2010, the Independent Oil and Gas Association of Pennsylvania (IOGA of PA) and the Pennsylvania Oil and Gas Association (POGAM) merged and the name of the organization changed to Pennsylvania Independent Oil and Gas Association. PIOGA is now the comprehensive trade association representing oil and natural gas interests throughout Pennsylvania. PIOGA represents nearly 1,000 members, including oil and natural gas producers, Commission-licensed natural gas suppliers and marketers, drilling contractors and service companies, as well as various professional firms, individuals and royalty owners. PIOGA members are involved in producing natural gas from conventional and unconventional formations for retail and transportation customers of natural gas utilities.

the reasons stated therein, that negative UFG rates should not exist. The AGA definition should eliminate negative UFG calculations.

II. Uniform calculation methods

PIOGA agrees with the comments, for the reasons stated therein, that there should be uniform methods of calculating UFG, which would result from the adoption of a uniform UFG definition. In particular, PIOGA agrees with the comments, for the reasons stated therein, that UFG should be measured using a 3-year weighted average for a period ending during the summer months.

III. Uniform UFG benchmarks

PIOGA disagrees with the Commission's proposal to establish "one-size-fits-all" UFG benchmarks and agrees with the comments, for the reasons stated therein, that the Commission should first collect data based on the uniform calculation methodology and use that data to establish NGDC-specific "target" levels of UFG following the PUC's approach in response to the Commonwealth Court's decision in *Dauphin Consolidated Water Co. v. Pa. P.U.C.*, 423 A.2d 1357 (Pa. Cmwlth. 1980), discussed in PECO's comments. PIOGA suggests that this court decision requires that Commission consider NGDC-specific factors when addressing UFG issues and that the NGDCs should be afforded flexibility to implement measures to address UFG on their systems.

IV. Public utility production affiliates

Dominion Retail, Inc. d/b/a Dominion Energy Solutions (DES) Services states its understanding that a "significant number" of NGDCs with integrated gathering systems permit deliveries of natural gas "that are not metered or that are metered through non-utility meters." In this context, DES recommends that "the practice of allowing producers to 'read their own meters' should be halted with all due haste." To the extent this recommendation is limited to production affiliates of NGDCs, PIOGA agrees that the NGDCs should be required to meter their affiliates' production.

But PIOGA disagrees that non-affiliated producers delivering into NGDC systems through integrated gathering facilities should be prohibited from owning and operating their meters. PIOGA producers that do so pursuant to agreements with the NGDCs are generally not interested in relinquishing their control over their measuring and regulating sets, especially when


there is no showing that the error rates are high and outside established tolerances. The system currently in place in this situation has worked well, as every meter is annually serviced and calibrated by an independent third party at the producers' expense.

PIOGA suggests that there are additional considerations bearing on this issue that are more properly addressed in the context of gathering system UFG issues, which appears to be a few years away under the Commission's current proposal. Accordingly, PIOGA suggests that any determination with respect to producer ownership of meters be limited to NGDC production affiliates.

V. Conclusion.

PIOGA respectfully requests that the Commission consider the reply comments herein in promulgating its final regulations.

Respectfully submitted,


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Date: December 4, 2012